Beneficial Corporation / Annual Report 1971

Annual Meeting

The Annual Meeting of the shareholders of Beneficial Corporation will be held on Friday, April 28, 1972 at 11 a.m. Eastern Standard Time at the office of the Company, Beneficial Building, 1300 Market Street, Wilmington, Delaware.

Beneficial Corporation

Beneficial Building
Wilmington, Delaware 19899

Beneficial Corporation, a Delaware corporation, is a holding company. Its subsidiaries are divided into two operating categories, a Finance Division and a Merchandising Division.

The Finance Division consists principally of the loan and finance subsidiaries comprising the Beneficial Finance System, which engages in the consumer loan and sales finance business in the United States, Canada, England, and Australia. The other subsidiaries in the Finance Division are engaged in commercial banking, credit life and accident and health insurance, and real estate holding—all of which, in the aggregate, constitute a small portion of assets employed in, and net income realized from, overall Finance Division operations.

The Merchandising Division is made up of wholly-owned subsidiaries, Western Auto Supply Company and Spiegel, Inc., and their subsidiaries. Western Auto carries on a nationwide business, selling a variety of merchandise, principally durable goods, at retail in its own stores and at wholesale to independently owned and operated associate stores. Spiegel, Inc. is engaged in the sale through catalogs of merchandise, primarily soft goods, by mail and through order stores.

Report to the Shareholders of Beneficial Corporation for the year 1971

Contents

As consumer needs grow, Beneficial grows.

In serving millions of families successfully, Beneficial provides an ever-broadening range of useful financial services as well as consumer durable and soft goods in wide array. The ability to satisfy consumer needs today and anticipate consumer needs of tomorrow leads growing families to rely on Beneficial each year.

Highlights

During the Year	1971	1970	% Increase (Decrease)
Net Income	$ 71,713,000	$ 61,521,000	16.6
Dividend Requirements on Preferred Stocks	$ 10,346,000	$ 10,683,000	(3.2)
Earnings Available for Common Stock	$ 61,367,000	$ 50,838,000	20.7
Number of Common Shares Outstanding (average)*	18,143,000	17,885,000	1.4
Earnings per Common Share (primary)*	$3.38	$2.84	19.0
Dividends Paid per Common Share*	$1.06⅔	$1.06⅔	—
Loans Made and Contracts Purchased—Beneficial Finance System			
Amount**	$1,461,770,000	$1,368,832,000	6.8
Number	1,940,000	1,924,000	0.8
Net Sales and Other Revenue—Western Auto	$ 498,942,000	$ 461,069,000	8.2
Net Sales and Other Revenue—Spiegel	$ 387,036,000	$ 352,645,000	9.8

At Year End	1971	1970	% Increase (Decrease)
Beneficial Finance System			
Notes and Accounts Receivable**	$1,441,331,000	$1,366,537,000	5.5
Number of Accounts	2,105,000	2,125,000	(0.9)
Average Account Balance**	$685	$643	6.5
Number of Offices	1,786	1,772	0.8
Number of Company-owned Stores—Western Auto	512	485	5.6
Number of Associate Stores—Western Auto	3,912	3,746	4.4
Number of Catalog Order Stores—Spiegel	279	260	7.3
Number of Employees	32,200	31,600	1.9
Number of Holders of Common Stock	29,400	30,900	(4.9)

Adjusted for 3-for-2 Common Stock split effective January 31, 1972.

***After deducting unearned charges.*

To Our Shareholders

We are pleased to report that Beneficial turned in an outstanding performance in 1971 by earning $71.7 million, 16.6% more than the preceding year's record. Translated into earnings per Common share, the gain was from $2.84 per share in 1970 to $3.38 in 1971. This improvement resulted from both increased gross income by the Finance and Merchandising Divisions and a sharp decline in short-term interest rates. For the first time, in the September 30, 1971 balance sheet, assets totaled more than two billion dollars.

Approximately 70% of the consolidated net income was contributed by the Finance Division, which consists principally of the loan and finance subsidiaries known as the Beneficial Finance System. At year end, the System's net receivables of $1,441 million surpassed its prior all-time high by 5.5%. The Finance Division's earnings of $50.4 million exceeded its prior year's income by 18.2%.

The Merchandising Division, consisting of Western Auto Supply Company and Spiegel, Inc., contributed 30% of the consolidated net income. Spiegel's net income of $6.0 million on record sales and other revenue of $387 million represented an improvement of 48.3% over the preceding year. Western Auto experienced its best year ever with earnings of $15.3 million and record sales and other revenue of $499 million, reflecting gains of 3.2% and 8.2%, respectively.

A three-for-two Common Stock split with no change in par value was approved in 1971 and became effective on January 31, 1972. In connection therewith an additional share was distributed for each two shares of Common Stock held on the record date. This is expected to give the stock a wider holding and will place it in a more attractive trading price range. The Board of Directors in February of this year increased the dividend on the Common Stock from a quarterly rate of 26⅔¢ to 27½¢ per post-split share, which is consistent with the maximum permitted by wage and price guidelines.

EDGAR T. HIGGINS

CECIL M. BENADOM

As the new year opened, the total impact of Phase II economic controls on business had yet to be observed. Hopefully, the program to dampen inflation will be sufficiently successful to permit the gradual reduction and eventual elimination of these restraints. Most economists seem to agree that consumer confidence is returning and spending for goods and services will increase during 1972. These predictions point to a growing demand for the kinds of services and goods offered by the Finance and Merchandising Divisions.

We appreciate the efforts of our employees for Beneficial's best year and thank our shareholders and customers for their confidence.

For the Board of Directors,

Edgar T. Higgins

Chairman of the Board

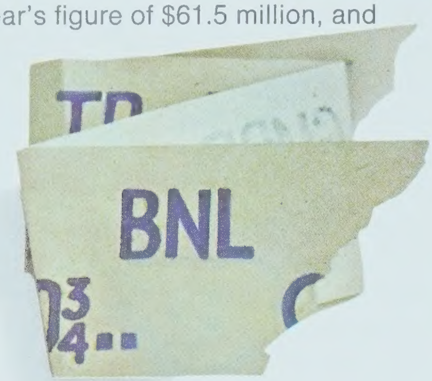
Cecil M. Benadom

President

February 29, 1972

Earnings and Dividends

In addition to setting a new record for highest net income and earnings per Common share, 1971 becomes the fourth year in the present series of annual increases. Net income of $71.7 million for the year 1971 reflects an increase of 16.6% over the preceding year's figure of $61.5 million, and



BNL is the Company's ticker symbol on the New York Stock Exchange.

earnings per Common share reflects an increase of 19.0%, moving up from $2.84 to $3.38 for 1971.

Beneficial Finance System had an impressive improvement in net income, which rose to $50.2 million, reflecting an increase of 27.5% over 1970 results. This arose in the following manner:

	Increase (Decrease) (in millions)	% Increase (Decrease)
Operating Income	$25.6	8.8%
Operating Expenses	13.9	9.2
Net Operating Income	11.7	8.2
Other Income	2.8	20.0
Total	14.5	9.3
Interest Expense	(3.0)	(3.5)
Income before Provision for Income Taxes	17.5	24.4
Provision for U. S. and Foreign Income Taxes	6.7	20.8
Net Income	$10.8	27.5%

The Merchandising Division enjoyed a significant improvement in net income when compared with 1970 results—$21.3 million as compared with $18.8 million for 1970, reflecting an increase of 12.9%. Sales and other revenue were higher by 8.9%, climbing from $813.7 million in 1970 to $886.0 million in 1971. Net income was 2.4% of sales and other revenue for 1971 compared with 2.3% for 1970.

Western Auto Supply Company's net earnings increased moderately from that of 1970—$15.3 million for 1971 compared with $14.8 million for 1970. Sales and other revenue reflected an increase of 8.2%, moving from $461.1 million to $498.9 million for 1971.

Net income of Spiegel for 1971 showed an increase of 48.3% over 1970 results, moving from $4.0 million in 1970 to $6.0 million in 1971. Sales and other revenue of $387.0 million for 1971 were 9.8% in excess of the $352.6 million for 1970.

The Company's Common Stock held of record December 10, 1971 was split 3-for-2 effective January 31, 1972. *All per-share figures for all years covered in this report, unless clearly noted otherwise, reflect the split.*

The Company's net income was achieved as follows:

	Dollars (in millions)		Percent	
	1971	1970	1971	1970
Finance Division*	$50.4	$42.7	70.3%	69.4%
Merchandising Division				
Western Auto	15.3	14.8	21.3	24.0
Spiegel	6.0	4.0	8.4	6.6
Total Merchandising	21.3	18.8	29.7	30.6
Consolidated	$71.7	$61.5	100.0%	100.0%

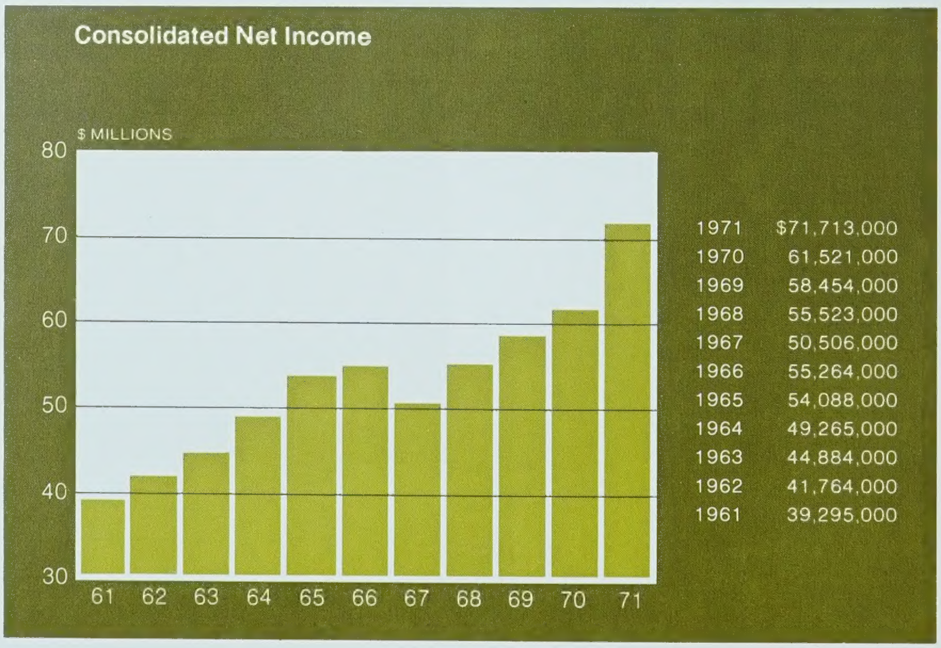
Earnings per Common share for 1971 was lowered by 6¢ as compared with 3¢ for 1970, resulting from the phasing out of the multiple surtax exemption.**

The surcharge on U. S. income taxes, which reduced earnings by 7¢ per Common share in 1970, had no effect on 1971, by which year it had terminated.

The decrease in interest expense for 1971 as compared with 1970 arose as follows:

	Dollars (in millions)	Per Common Share Before and After Federal Income Taxes	
		Before	After
Increase due to increase in borrowings	$ 4.6	$ .25	$ .15
Decease due to decrease in interest rates	(7.6)	(.42)	(.24)
Net Decrease	$(3.0)	$(.17)	$(.09)

Dividends were paid as they fell due in 1971 on the various issues of Preferred Stock. Dividends on Common Stock were paid quarterly in 1971, totaling $1.60 per share, unchanged from the previous year, on shares outstanding prior to the 3-for-2 stock split. The Common dividends paid in 1971 lengthened the record of consecutive quarterly payments to 170.



*Includes net income of other non-consolidated subsidiaries of $0.2 million and $3.3 million. See Notes 12 and 13 to consolidated Financial Statements.

**Amendments in 1969 to the Internal Revenue Code phase out the multiple surtax exemption over the five-year period ending with the 1974 tax year. The effect becomes more pronounced each year.

Financial

The cost of funds to finance Beneficial's operations was less in 1971. Average annual interest cost for all debt in 1971 was 5.9% compared to 6.5% in the prior year. During the year short-term prime rate for bank borrowings moved between 6¾% at the beginning of the year to 5% at year end.

During 1971 the Company was one of four finance companies to be accorded, for the first time in history, a double A bond rating by Standard & Poor's. The impact of such rating will be felt in all subsequent long-term debt issues of the Company and should result in interest savings in the rate paid of ¼% per year.

The Company's commercial paper has been rated "Prime-1" by NCO/Moody's Commercial Paper Division and "A-1" by Standard & Poor's. Both ratings are the highest assignable.

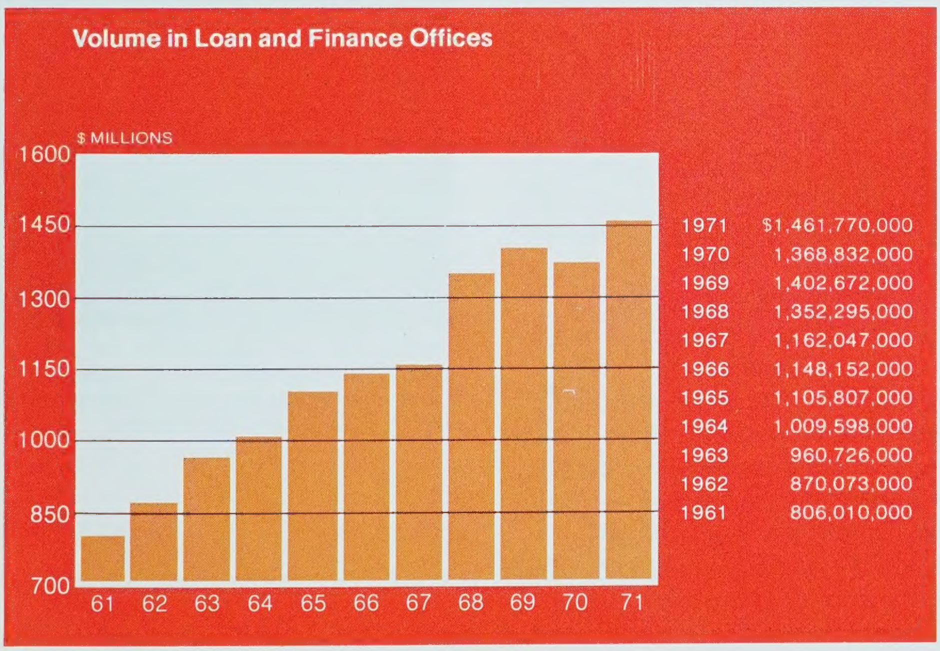
1971 saw the concept of the prime rate undergoing change from a fixed, country-wide prime rate to that of a "floating" prime rate based upon variations of prime commercial paper rates and regional economic conditions. Prime commercial paper rates paid by the Company during 1971 for 90-day paper ranged from a high of 5¾% to a low of 4%. Average cost for short-term borrowings for the year was 5.4%.

The Company sold long-term debt in November 1971 totaling $125 million through a dual issue of $75 million of 7½% Debentures due in 1996 and $50 million of 6¾% Debentures due in 1977. In January 1972 the Company sold to the public through underwriters an issue of $75 million of 7.45% Debentures due in 2000. Also, long-term debt was sold to the public through underwriters by subsidiaries. In January 1971 Beneficial Finance Co. of Canada sold $25 million (Canadian) of 9% Senior Debentures due in 1991; Western Auto Supply Company sold in January 1971 $50 million of 7.85% Sinking Fund Debentures due in 1996; and Beneficial Finance International Corporation sold privately a 7½% Note due in 1976 for approximately $7 million payable in a foreign currency. Long-term debt retired during the year was as follows: $65 million of 8⅜% Debentures in February 1971, $50 million of 5.60% Debentures

Beyond the United States, Beneficial financial services, through offices in Canada, Australia and England, help people get more out of living.

in May 1971, and a $2.5 million 5½% Note in August 1971. A payment of $5 million on a bank term loan was made in February 1972. At December 31, 1971, long-term debt totaled $995 million, carried an average annual interest cost of 6.0%, and represented 69.9% of all debt.

Short-term loans payable at December 31, 1971 amounted to $276 million of which $209 million was in commercial paper borrowings and the remainder in bank loans. The Company continues its policy of maintaining adequate bank lines of credit to cover short-term borrowings and operating needs.



1971	$1,461,770,000
1970	1,368,832,000
1969	1,402,672,000
1968	1,352,295,000
1967	1,162,047,000
1966	1,148,152,000
1965	1,105,807,000
1964	1,009,598,000
1963	960,726,000
1962	870,073,000
1961	806,010,000

Loan and Finance Offices

The Beneficial Finance System consists of subsidiaries engaged in the business of making consumer loans to individuals, purchasing instalment sales contracts evidencing time sales of merchandise or services, and related activities.

The Beneficial Finance System net income of $50.2 million for 1971 is its highest ever. Of this amount $4.2 million represents insurance income of a type previously reported in income of non-consolidated subsidiaries. The gain in net income of the Beneficial Finance System over 1970's $39.4 million was 27.5%, including in 1971 the income relating to insurance. 1971 became the fourth consecutive record breaking year. Likewise, receivables of $1,441 million outstanding at the end of the year (after deducting unearned charges) increased 5.5% over the

Thousands of families each year achieve better budget control through convenient Beneficial bill consolidation loans and financial counseling.

preceding year, a net increase of $74 million.

Approximately 95% of the receivables of the Beneficial Finance System results from the making of consumer loans to people of moderate income under various kinds of regulatory statutes, principally "small loan laws." The $1,367 million of net loan balances, contrasted with other types

Outfitting the family in style, for special occasions or everyday needs, is another beneficial purpose of a Beneficial loan.

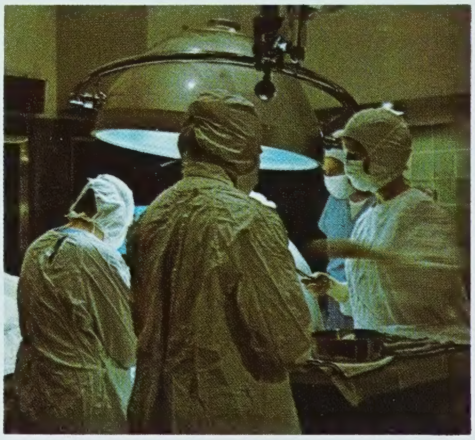
of receivables, represented a gain of 6.9% over the $1,279 million for 1970. The trend toward larger loans with longer maturities was continued in 1971 by an increase in the average size loan made from $837 to $872 and an increase in the average maturity from 31.5 to 32.2 months. Approximately 18,000 more loan customers were being served at the end of 1971 than at the close of the preceding year and the net amount lent ($1,342 million) in 1971 was also greater.

About 5% of the Beneficial Finance System's operations, representing receivables of $74 million at year-end 1971, is devoted to the sales finance business, which involves the purchase of contracts evidencing time sales of merchandise and services. During the year, 403,000 contracts in the amount of $120 million were purchased. The average size of such contracts, $298, represents an 8.0% increase.

There was an increase in total finance office volume in 1971, as indicated by the chart on the preceding page. This increase is significant in view of economic conditions and the de-emphasis on the sales finance business. Despite the reduction in this type of business in recent years, it is expected that the sales finance business will continue to make a positive contribution directly to the income of the System and indirectly as an introduction of its loan facilities to such customers.

The percentage of monthly cash principal collections in relation to higher average receivables increased from 1970's 4.50% to 4.68% of average net receivables, and the average length of loan increased by 0.7 months. The subsidiaries, in collecting total cash repayments of principal during the year of $768 million, maintained their fine record of collections of interest and principal.

One significant reason for the



Medical and other emergencies that strain a family's financial resources can develop quickly. Beneficial loan service moves just as quickly to help solve the problem.

Beneficial also offers vacation loans to allow people the relaxation they need and want—when they want it.

System's steady performance is that its service is spread over widely diversified territories as evidenced by its 1,786 offices—in the United States 1,491, Puerto Rico 4, Canada 234, Australia 46, and England 11. During the year, 33 offices which were not profitable were closed and 47 new offices were opened in promising locations, for a net gain in number of 14 over 1970.

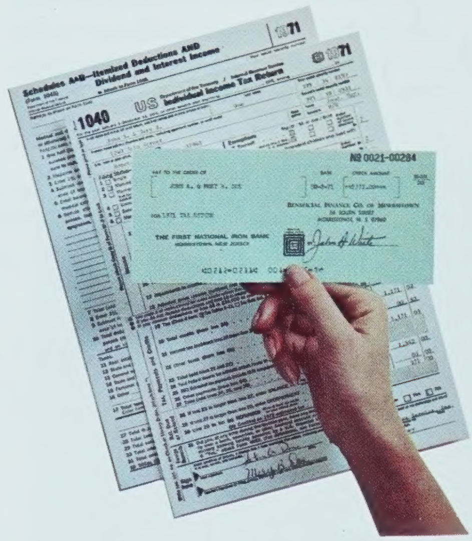
The highly competitive consumer finance field puts a premium on adaptation of service opportunities to customer needs. In 1971 the Full Service Financial Center program was tested successfully and is scheduled for introduction in additional offices over a broader area. This program, designed to improve customer relations and to attract new customers, includes, in addition to the established Beneficial Income Tax Service: special loan plans, sale of travelers checks and money orders, family financial analysis, payroll check cashing, notary public service, and the sale of a full line of insurance coverages for the individual.

During the 1971 income tax season, the Beneficial Income Tax Service offered income tax preparation services in 1,001 offices in 40 states and prepared tax returns for more than 89,000 taxpayers. A similar tax service was introduced successfully in Canada on a pilot basis. An expansion of the tax service to approximately 1,070 offices in 42 states and many offices in Canada has taken place in 1972.

At the end of 1971, consumer finance loans owing to credit institutions in the United States had increased by 9.0% over the preceding year. A large portion of that increase is attributable to considerably greater credit activity by banking institutions

Projects to make the home more enjoyable and more valuable are accomplished with the help of Beneficial home improvement loans.

during the year and is consistent with the traditional pattern of accelerated expansion of bank consumer loans during the early stages of recovery from a recession. The Beneficial Finance System's share of that market dropped from 4.03% of the $31.6 billion of such loans to 3.99% of the $34.4 billion at year end. At the same time, its portion of the finance companies market increased to 9.03% from 8.83% at the end of 1970. The Beneficial



Beneficial Income Tax Service, introduced in 1970, is fast gaining popularity. It provides modern preparation of income tax returns with the aid of a computer at a competitive price. Most loan subsidiaries make loans either to pay taxes due or to anticipate tax refunds, if desired.

Finance System, with its record receivables and earnings, had a larger amount in dollars of the personal loan market than it had at the end of the preceding year. If past patterns prevail, it can be expected as the economic recovery gains momentum that Beneficial and other consumer finance companies will gain a larger share of consumer finance loans owing to credit institutions.

Reserve for Possible Losses

The continuing slowness of the economy through all of 1971 brought about a substantial increase, when compared with 1970, in amounts charged off as uncollectible. As a consequence of the higher charge-offs and the careful evaluation of credit in 1971, delinquency has been maintained at only a moderately higher level than in 1970 and at year-end 1971 was less than a year earlier. Throughout 1971, as in prior years, notes and accounts receivable believed by management to be uncollectible or to require disproportionate collection costs have been charged off. However, accounts charged off are subject to review and collection activity.

The increase in Provision for Possible Losses should be considered in the light of the larger charge-offs and the fact that the receivables at the close of 1971 were 5.5% higher than at December 31, 1970.

The Reserve for Possible Losses increased moderately during 1971, going from $73.7 million at the end of 1970 to $76.4 million at year-end 1971. The Company continues its long-standing practice of maintaining the Reserve on a conservative basis.

Despite the slowness of the economy, Recoveries on Accounts Previously Charged Off increased appreciably (30.9%), moving up from $2.8 million to $3.6 million in 1971.

	Provision for Possible Losses Charged to Income		Receivables Charged Off		Recoveries on Receivables Previously Charged Off		Reserve for Possible Losses December 31	
Year	Amount	%*	Amount	%*	Amount	%*	Amount	%*
				(amounts in thousands)				
1971	$32,191	1.94	$29,675	1.79	$3,625	.22	$76,448	5.30
1970	28,111	1.79	24,831	1.58	2,770	.18	73,657	5.39
1969	26,038	1.86	19,832	1.42	2,781	.20	69,625	5.49
1968	22,760	1.82	18,367	1.47	2,578	.21	63,408	5.59
1967	21,875	1.95	17,973	1.61	2,192	.20	59,012	5.97

*Percentages for the Reserve are in relation to Notes and Accounts Receivable (net) at year end; all other percentages are in relation to average Notes and Accounts Receivable (gross) during the year.

AFTER OFFSETTING RECOVERIES

	Provision for Possible Losses Charged to Income		Receivables Charged Off	
Year	Amount	%*	Amount	%*
		(amounts in thousands)		
1971	$28,566	1.72	$26,050	1.57
1970	25,341	1.61	22,061	1.40
1969	23,257	1.66	17,051	1.22
1968	20,182	1.61	15,789	1.26
1967	19,683	1.75	15,781	1.41

*See note in above box.

Western Auto Supply Company

Western Auto Supply Company conducts a nationwide merchandising business, selling a wide variety of merchandise, primarily durable goods, at retail in its own stores and at wholesale to independently owned and operated associate stores. Most of the merchandise sold bears trademarks or brands owned by Western Auto.

The continued growth of Western Auto Supply Company is well symbolized by the grand opening on May 17, 1971 of its 500th company-owned store. At the end of 1971 there were 512 company-owned stores and 3,912 associate stores operating under the Western Auto banner.

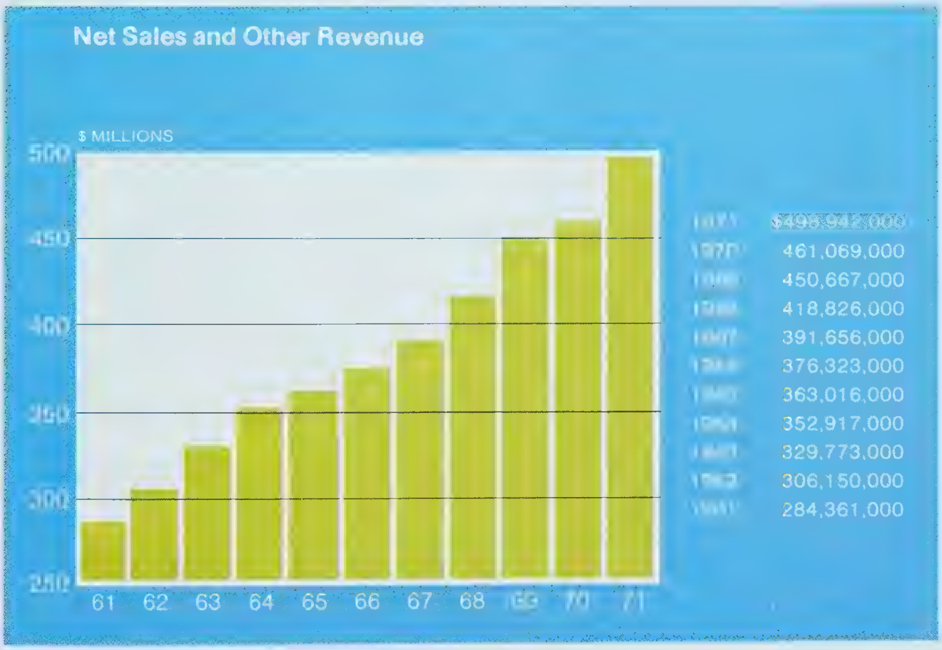
The year 1971 was a banner year for Western Auto. Its earnings were the highest since the company was started in 1909. Sales and other revenue of $499 million for 1971 surpassed its prior record year of $461 million in 1970, a gain of 8.2%. Net earnings of $15.3 million represented an increase of $0.5 million (3.2%) over 1970 and an increase of 0.3% over its prior record year of 1969. By year-end 1971, there were 512 company-owned stores—more than ever before—and the growth in the number of associate stores to 3,912 was the greatest since 1959.

Retail sales and other revenue of company-owned stores for the year were $178 million as compared with $167 million for 1970, an increase of 6.4%, approximately 50% of which was on credit. Wholesale sales to associate dealers and others and other revenue accounted for $321 million in 1971, compared with the 1970 volume of $294 million, a gain of 9.2%. About 30% of the wholesale volume was made on credit. Approximately 29% of wholesale sales was paid by the assignment to Western Auto of retail sales time payment contracts.

Western Auto Acceptance Company, a subsidiary of Western Auto, which purchases retail instalment sales contracts representing time sales made by associate stores, contributed $1.3 million to Western Auto's net earnings.

Western Auto now maintains 14 distribution centers to serve its company-owned and associate stores. In the interest of maximum efficiency and substantial cost savings, it continually reviews the need for strategic realignment and modernization. During the year, a new

Quality and variety in consumer durable goods and progressively more stores in more convenient locations built customer sales and confidence, and implemented Western Auto's slogan, "Company on the Grow."



distribution center in Salina, Kansas, replaced two older centers. Another distribution center is being constructed in Ohio and the centers in Baltimore and Jacksonville are being expanded.

Western Auto recognizes the public demand for high quality and safety in all product lines. Although it does not engage in manufacturing, more than 90% of its merchandise bears trademarks or brands owned by Western Auto. In order to assure customer satisfaction, it maintains

Western Auto offers a wide variety of merchandise to appeal to all members of the family.

quality control through a product testing program and during the year opened a new testing laboratory.

The other side of the quality control effort is servicing products sold. Western Auto maintains, for both company-owned and associate stores, 16 service centers and has contractual arrangements for product service with 4,341 service companies.

During the year all company activities and departments were studied in an all-out effort to achieve maximum expense control and cost savings. Regional offices were moved into distribution centers where space was available. Procedures were reviewed and streamlined. Savings were effected in such areas as mail, freight, telephone, and in better utilization of funds.

Along with Western Auto's emphasis on penetrating selected major communities with its own stores, there is a program to open new associate stores in smaller communities. The program, which resulted in an increase of 166 associate stores during 1971, involves an aggressive search for locations and dealers. In appropriate cases, loans are made to facilitate opening new stores and to up-grade existing ones. Many new associate stores are the direct result of recommendations made to Western Auto by associate dealers, with whom it has enjoyed excellent relationships. Western Auto regards this program as essential.

Last year, Midland International Corporation, an importing and sales subsidiary, suffered from the effects of the West Coast dock strike and currency fluctuations. Its sales increased 17.4%, but its earnings decreased (by 3.3%) because of a newly acquired subsidiary.

During 1972 Western Auto will continue to modernize its company-owned stores in accordance with the trend toward self-service, mass merchandising and departmentalization—a store-within-the-store concept, featuring specialty merchandise. It expects to open more new company-owned stores and is pursuing its program to expand the number of associate stores. It believes that these programs, reasonably designed to increase business volume, will be fruitful.

During 1971 successfully applied mass merchandising techniques were primarily responsible for the 2.4 million more transactions in Western Auto retail stores as compared with 1970, a 12.9% increase.

Spiegel, Inc.

Spiegel, Inc. engages in the sale through catalogs of merchandise, primarily soft goods, principally by mail and through order stores. It sells many products with nationally known trade names and brands.

Each catalog of Spiegel, Inc. features quality merchandise for every member of the family and for every home—with merchandise for the young and young at heart—with America's most wanted national brands throughout.

Sales of $365 million in 1971 represented a new high for Spiegel, Inc., reflecting an increase of 8.7% over the $336 million record in 1970. The sales gain coupled with improved operating efficiencies offset cost increases and resulted in consolidated earnings of $6.0 million, 48.3% over 1970 net income of $4.0 million.

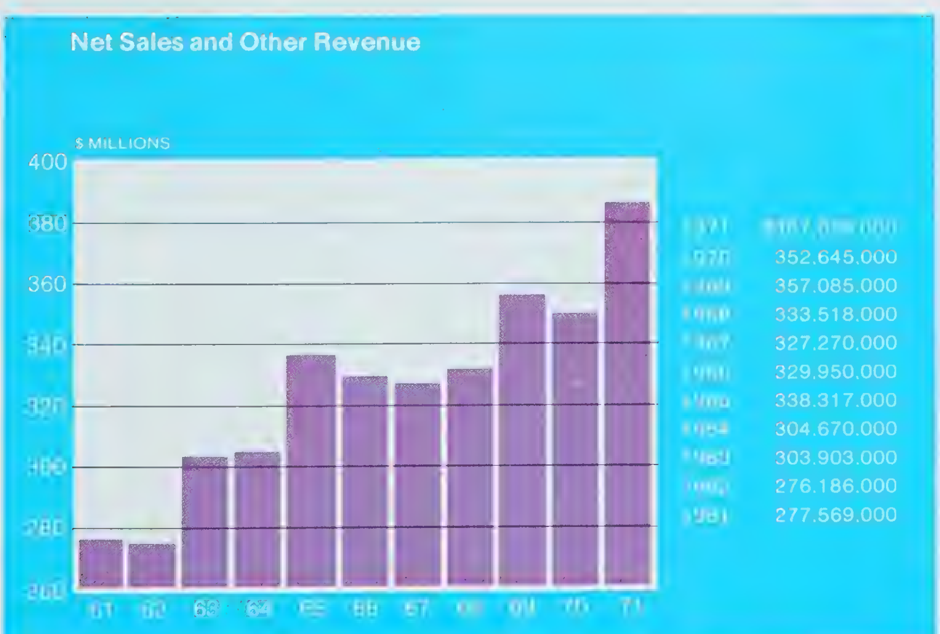
Sales through catalog order stores totaled $143 million. This represented a gain of 8.0% over last year's level and constituted 40.0% of 1971 catalog sales volume. Cash sales of $63.9 million were 24.9% greater than those of a year ago while credit sales of $301.0 million, comprising 82% of total volume, bettered the 1970 figure by 5.8%.

The catalog order store expansion program is proceeding as planned. Twenty-five new stores were opened and nine stores were relocated to more desirable sites. This, together with the closing of a number of less profitable units, resulted in a net gain of 19 units during the year. The program of adding new units is continuing in 1972 and it is contemplated that the number of stores will exceed 300 by year end.

With the opening of stores in areas not previously served and the increase in total stores, administrative authority has been decentralized to meet the challenge of growth and the ability to respond more effectively to local conditions. Customer service by order stores has been significantly improved by changes instituted in internal order handling as well as by increased reliance on private rather than common carriers to assure speedier and more dependable delivery performance.

An aggressive marketing program designed to increase the number of active customers was undertaken

Attractive styles and sensible prices are evident in apparel collections for every age group.



Spiegel also offers a splendid selection of home furnishings with a modern touch for every room in the home.

successfully, with an increase of 11% in number of customer accounts achieved by year end. At December 31, 1971 customer accounts receivable of $543 million exceeded those of the previous year end by $36 million, while the average customer balance of $210 at December 31, 1971, was 4.1% less than the $219 at the end of 1970. Sluggish economic conditions in the early part of the year and an intensified promotional program to increase the number of new customers resulted in a higher level of bad debts than prevailed in 1970. Credit and collection programs planned for 1972 should be helpful in reducing this cost.

Research programs embracing marketing and credit produced promising new techniques for personalizing direct mail catalog selling and refining standards for acceptance of new credit customers. The application of these techniques will be expanded in 1972.

In 1971, merchandising policy was reoriented toward providing a selection of merchandise which would have strong appeal to all customer age groups, but especially to the large group of young families whose life style requires the most contemporary in apparel and furnishings. This program will be strongly emphasized in 1972, not only in merchandise selection but in media and graphic arts presentations as well.

Merchandise inventories of $48.5 million at year end represented a 25.3% increase over the $38.7 million at December 31, 1970. Inventory turnover of 7.5 declined only slightly in spite of the handicap imposed by dock strikes on all coasts in the latter months of 1971 and the longer lead time required for imported merchandise.

Significant savings were effected in the cost of operations for the year despite the handicap of higher wage rates and increased non-wage costs which preceded the wage-price freeze of mid-August. Administrative changes which were effected early in the year improved employee morale, reduced costs, and bettered customer service. Programs for 1972 will continue to concentrate on further improvement in the critical areas of cost reduction and customer service. The long-range program of automating clerical routines met its objectives in 1971, and 1972 should see the completion of automated clerical order handling and billing operations, with attendant benefits in costs and service.

Merchandising—General

Controls imposed in Phase II of the new economic program make it difficult to predict merchandising sales and earnings for 1972. However, aggressive merchandising and marketing programs planned for the year as well as continuing emphasis on cost reduction should be helpful in sustaining the upturn in sales and earnings which developed in 1971.

The growing number of Spiegel catalog stores, staffed by helpful company representatives, adds efficiency and enjoyment to shopping for home and family.

Insurance Operations

Beneficial's life insurance subsidiaries are Guaranty Life Insurance Company of America and Central National Life Insurance Company of Omaha. Both companies are engaged primarily in the reinsuring of credit life and credit accident and health insurance. Other insurance subsidiaries act as insurance brokers and agents in the writing of property and casualty insurance.

The operations of the insurance subsidiaries, a part of the Finance Division, continued to expand during 1971 in both volume and types of coverages.

Rather than develop an agency force, the Company chose to use the facilities of its existing loan subsidiaries. Beneficial subsidiaries, at the borrower's option, offer and provide credit life insurance, credit accident and health insurance and fire and extended coverage, as part of the services extended to borrowers. Most of such insurance is written by other companies; however, an increasing amount of this business is being written on a direct basis in the states of California, New Jersey, Massachusetts, and Illinois.

Life and Accident and Health Insurance

Credit life insurance covers the life of the borrower generally in an amount equal to his unpaid balance. Credit accident and health insurance pays a sum equal to the amount due on the insured loan for each month of disability. A small but increasing amount of insurance is being written directly and independently of credit transactions. Modest amounts of ordinary and term life insurance were acquired in 1971 and prior years by the insurance subsidiaries. Commencing in 1970 and continuing through 1971, Guaranty Life began to accept ordinary reinsurance on carefully selected risks from other companies. At year end this ordinary life amounted to $38 million.

Central National Life Insurance Company of Omaha, a company licensed to write all forms of life and accident and health insurance coverage in 49 states, was acquired by the Company on June 30, 1971. The acquisition included a $50 million portfolio of ordinary life coverage. This acquisition is expected to facilitate the expansion of life and accident and health insurance business. The purchase included a complete inventory of approved life insurance contract forms, use of which will reduce the time necessary to move into additional areas and coverages.

Life insurance in force in both companies at December 31, 1971 was $1,570 million. At year-end 1971, customers of the Beneficial Finance System with balances totaling $655 million were protected by accident and health insurance coverage by the two companies compared with $156 million at the end of 1970. Benefits paid in 1971 by the two companies on both life and accident and health risks for customers of the loan and finance subsidiaries exceeded $12 million. In addition, balances of other customers of Beneficial Finance System were covered by unaffiliated insurers to the extent of $297 million for life insurance and $299 million for accident and health.

Other Insurance

Property and casualty insurance was written in 1971 in a limited number of states by Beneficial subsidiaries as brokers and agents.

Fire insurance and extended coverage, written by other carriers, is offered at the borrower's option. Fire insurance protects the value of the property, usually household contents, which secures the loan for an amount up to the reasonable value of the property. During 1971 automobile, property, and liability insurance offerings were expanded through certain Beneficial loan subsidiaries. Beneficial's vast network of offices lends itself to unique mass marketing possibilities. The Acme Corporation and BFC Agency, Inc., wholly-owned brokerage agencies, serve to implement property and casualty offerings and in 1971 introduced new programs in several new areas. These subsidiaries will continue to initiate programs through regular offices as well as through full financial services offices of Beneficial subsidiaries. Many of these programs, particularly automobile coverages, are not connected with any credit transactions.

The insurance subsidiaries expect to continue the development of innovative coverages and programs in keeping with customers' changing needs. Insurance will continue to be an increasing part of the business of serving the full financial needs of Beneficial customers.

Guaranty Life Insurance Company of America

Central National Life Insurance Company of Omaha

General

Close-up view of BENCOM

Beneficial Data Processing Corporation, a wholly-owned subsidiary, is well on its way to establishing one of the largest and most sophisticated computer communications systems in the finance industry today.

Terminals have been installed in selected New Jersey offices and the installation schedule will pick up

Typewriter-like terminals, such as this, will put Beneficial loan offices on line to the computer center.

momentum during the next two years, as other offices are brought into the system. As each office comes "on line," it has direct and immediate access to a new and modern computer center at BENCOM ("Beneficial Communications") headquarters in Morristown, New Jersey.

The computer center is staffed by 150 highly skilled technicians and data processing experts, who have spent many months in programming, testing, and refining this highly complex system. The technicians, in close cooperation with other Beneficial staff and field operating personnel, are working toward a smooth transition from the present system.

The hub of the BENCOM center is two 360 model 50, IBM computer systems with two replacement 370-155s on order for 1972 as hundreds of offices are brought on line. These are housed in a completely controlled environment including an independent power source.

BENCOM will handle computation, record keeping, and report preparation with a speed and accuracy never before possible. Employees will be able to transmit loan, payment, bookkeeping, and statistical information by using the terminals and receive computer responses in seconds.

In addition, pertinent credit information on customers and their accounts will be stored by the com-

By taking over computation, record keeping, generation of reports, and other paperwork from loan offices, BENCOM will free countless man-hours in the field for customer counseling and creative sales efforts.

puters to be used to provide important marketing data and other management information reports.

When fully implemented, BENCOM will provide faster and better customer service and enable loan office employees to spend more time in business development activities.

Beneficial's modern-as-tomorrow computer center near Morristown, N.J. is the 40,000 sq. ft. masonry and brick home of BENCOM, the Company's new on-line real-time data processing system.

Beneficial Employment Services, Inc.

Beneficial Employment Services, Inc., a subsidiary of Beneficial Corporation, is engaged in the employment agency business. The decision to enter this business during 1971 followed an in-depth feasibility study which showed that successful management techniques employed in the consumer finance business were readily adaptable to the employment agency field.

This program, which is separate and apart from the loan and finance offices and any other subsidiary's operations, was started in the Fall of 1971 as a pilot program and, at year end, had three offices in operation.

This new company is designed to provide the business community with efficient placement service for various levels of positions including clerical, secretarial, office, sales, administrative, and technical classifications.

To assure a high level of professionalism, comprehensive training programs have been established for both managers and placement counselors. A program of continued expansion, contingent on performance, is planned for 1972.

Retirements

On December 31, 1971, Arthur C. Swanson, Chairman of the Board of Directors of Western Auto Supply Company, retired as an officer of Western Auto after serving it from 1952 and as its chief executive officer from 1959 through 1970. Mr. Swanson's excellent achievements while serving as chief executive officer are illustrated by the following: Western Auto sales and other revenue increased 105%—from \$225 million to \$461 million; net earnings increased 113%—from \$7.0 million to \$14.8 million; the number of Western Auto stores increased from 376 to 485; and the number of associate stores increased from 3,632 to 3,746. Mr. Swanson has the best wishes of the Company's officers, directors, and employees during his retirement and will continue as a member of the Beneficial Corporation Board of Directors.

* * * * * * * * * * * *

On February 1, 1972, Modie J. Spiegel, Chairman and Chief Executive Officer of Spiegel, Inc., retired after 50 years of distinguished service to Spiegel, Inc., and catalog retailing. In 1932 Mr. Spiegel assumed the role of Chief Executive Officer and guided the company with distinction for 40 years. In the four decades of Mr. Spiegel's leadership the company has served millions of American families and has contributed significantly, through its pioneering innovations, to instalment retail sales on credit through catalogs. Mr. Spiegel has the best wishes of the Company's directors, officers, and employees in his retirement. He will continue to serve Spiegel, Inc. as a director and Chairman Emeritus and will continue to serve as a director of Beneficial Corporation.

Promotions

James E. Burd was elected Chairman of the Board of Directors and Chief Executive Officer of Spiegel, Inc. Mr. Burd is also a member of the Board of Directors and Executive Committee of Beneficial Corporation.

Leon A. Fults, President and Chief Executive Officer of Western Auto Supply Company, was elected to the Board of Directors of Beneficial Corporation in November of 1971.

Edgar D. Baumgartner, Tax Counsel of Beneficial Corporation, was elected to the office of Vice-President in June of 1971.

In Memoriam

On April 2, 1971, Beneficial was saddened by the passing of Mr. O. W. Caspersen, Chairman Emeritus, one of the founding directors and continuously a director since 1929. He retired from active employment at the end of 1962 after forty-two years of service. As the letter to shareholders in the Annual Report for that year so aptly stated, "No one has contributed more to the success of our Company than Mr. O. W. Caspersen."

The vacancy in the Board of Directors was filled by the election of his son, Dr. John W. Caspersen, who unfortunately could serve only for a short time until his death on October 29, 1971.

Beneficial Corporation and Consolidated Subsidiaries

Assets

	1971	1970
	(amounts in thousands)	
Cash	**$ 52,200**	$ 38,912
Notes and Accounts Receivable (due according to contract in monthly instalments generally up to thirty-six months)	**1,755,178**	1,639,960
Less Unearned Charges	**313,847**	273,423
	1,441,331	1,366,537
Less Reserve for Possible Losses	**76,448**	73,657
	1,364,883	1,292,880
Due from Western Auto Supply Company and Subsidiaries (Page 23)	**—**	22,320
Due from Spiegel, Inc. and Subsidiaries (Page 26) (Note 4)	**240,108**	203,415
Other Current Assets	**51,092**	34,860
TOTAL CURRENT ASSETS	**1,708,283**	1,592,387
Investments in Non-Consolidated Subsidiaries (at equity in net assets):		
Western Auto Supply Company (Page 23)	**190,575**	175,421
Spiegel, Inc. (Page 26)	**113,730**	107,721
Other	**24,950**	30,801
	329,255	313,943
Fixed Assets (at cost, less accumulated depreciation and amortization of $9,564 and $8,707)	**13,578**	11,893
Deferred Charges and Miscellaneous Assets	**15,344**	13,596
Excess of Cost of Common Stock of Certain Subsidiaries over Equity in Net Assets Thereof at Dates of Acquisition	**28,486**	27,556
TOTAL	**$2,094,946**	$1,959,375

The Notes to Financial Statements should be considered in connection with this balance sheet.

Balance Sheet

December 31, 1971 and 1970

Liabilities and Capital

	1971	1970
	(amounts in thousands)	
Loans Payable:		
Banks	**$ 66,611**	$ 41,930
Commercial Paper	**209,044**	190,545
	275,655	232,475
Current Portion of Long-Term Debt	**130,173**	118,200
U. S. and Foreign Income Taxes Payable	**9,597**	12,351
Accounts Payable and Accrued Liabilities	**40,761**	34,336
Dealers' Reserves	**10,464**	10,026
Employees' Thrift Accounts	**22,605**	20,664
TOTAL CURRENT LIABILITIES	**489,255**	428,052
Long-Term Debt (Note 7)	**995,005**	966,094
Liability for Incentive Compensation Plan (Note 5)	**6,481**	6,883
Reserve for Foreign Exchange Fluctuations (Note 6)	**7,752**	6,159
Minority Interest in Subsidiaries	**4,841**	4,487
TOTAL LIABILITIES	**1,503,334**	1,411,675
CAPITAL STOCK AND SURPLUS (Notes 8 and 9):		
5% Cumulative Preferred Stock	**20,386**	20,386
$5.50 Dividend Cumulative Convertible Preferred Stock	**18,173**	19,589
$4.50 Dividend Cumulative Preferred Stock	**10,398**	10,398
$4.30 Dividend Cumulative Preferred Stock	**92,552**	91,372
Common Stock (Note 2)	**18,099**	11,828
Capital Surplus (Note 2)	**35,324**	39,424
Earned Surplus	**396,680**	354,703
TOTAL CAPITAL STOCK AND SURPLUS	**591,612**	547,700
TOTAL	**$2,094,946**	$1,959,375

The Notes to Financial Statements should be considered in connection with this balance sheet.

Beneficial Corporation and Consolidated Subsidiaries

Statement of Income and Earned Surplus

Years Ended December 31, 1971 and 1970

	1971	1970
	(amounts in thousands)*	
OPERATING INCOME (including recoveries on receivables previously written off, $3,625 and $2,770) (Notes 12 and 13)	**$317,501**	$291,939
OPERATING EXPENSES (including provision for possible losses, $32,191 and $28,111)	**163,715**	149,866
NET OPERATING INCOME	**153,786**	142,073
OTHER INCOME:		
Interest from non-consolidated subsidiaries	**15,494**	14,480
Other (Note 12)	**1,288**	(480)
TOTAL	**170,568**	156,073
INTEREST EXPENSE	**81,525**	84,520
INCOME OF CONSOLIDATED COMPANIES BEFORE PROVISION FOR U.S. AND FOREIGN INCOME TAXES	**89,043**	71,553
PROVISION FOR U.S. AND FOREIGN INCOME TAXES (Notes 12 and 13)	**38,786**	32,126
NET INCOME OF CONSOLIDATED COMPANIES	**50,257**	39,427
NET INCOME OF NON-CONSOLIDATED SUBSIDIARIES:		
Western Auto Supply Company and Subsidiaries	**15,254**	14,783
Spiegel, Inc. and Subsidiaries	**6,009**	4,052
Other non-consolidated subsidiaries (Notes 12 and 13)	**193**	3,259
	21,456	22,094
NET INCOME	**71,713**	61,521
EARNED SURPLUS, BEGINNING OF YEAR	**354,703**	319,265
TOTAL	**426,416**	380,786
EARNED SURPLUS CHARGES (CREDITS):		
Dividends on Capital Stock of the Company:		
5% Cumulative Preferred Stock	**1,019**	1,019
$5.50 Dividend Cumulative Convertible Preferred Stock	**5,138**	5,425
$4.50 Dividend Cumulative Preferred Stock	**468**	468
$4.30 Dividend Cumulative Preferred Stock	**3,954**	3,914
Common Stock ($1.06⅔ per share) (Note 2)	**19,157**	18,857
Transfer from Reserve for Possible Future Reduction in Value of Investments in Certain Subsidiaries	**—**	(3,600)
TOTAL CHARGES	**29,736**	26,083
EARNED SURPLUS, END OF YEAR	**$396,680**	$354,703
AVERAGE COMMON SHARES (AND EQUIVALENTS) OUTSTANDING (Note 2)	**18,143**	17,885
EARNINGS PER COMMON SHARE (Notes 2 and 3):		
Primary	**$3.38**	$2.84
Fully-diluted	**$2.87**	$2.46

**Except per-share figures.*

The Notes to Financial Statements should be considered in connection with this statement.

Statement of Capital Surplus

Years Ended December 31, 1971 and 1970

	1971	1970
	(amounts in thousands)	
BALANCE, BEGINNING OF YEAR	**$39,424**	$38,412
Credit relating to distributions of Treasury Stock in connection with Company's Incentive Compensation Plan (Note 5)	**215**	230
Excess of stated value of $5.50 Dividend Cumulative Convertible Preferred Stock over par value of Company Common Stock issued upon conversion	**1,204**	549
Excess of face amount of Spiegel Subordinated Debentures over par and stated values of Company capital stock issued in exchange	**437**	188
Charge in connection with 3-for-2 Common Stock split effective January 31, 1972	**(6,033)**	—
Miscellaneous	**77**	45
BALANCE, END OF YEAR	**$35,324**	$39,424

Statement of Changes in Financial Position

Years Ended December 31, 1971 and 1970

	1971	1970
	(amounts in thousands)	
SOURCE OF FUNDS:		
Operations:		
Net income	**$ 71,713**	$ 61,521
Non-cash transactions:		
Provision for possible losses	**32,191**	28,111
Depreciation and amortization	**3,503**	3,374
Total	**107,407**	93,006
Less undistributed earnings of non-consolidated subsidiaries	**21,149**	21,629
Total funds provided by operations	**86,258**	71,377
Collections on instalment receivables (except finance charges included in income)	**768,068**	705,723
Long-term debt issued	**157,759**	150,000
Short-term notes and bank loans—net increase (decrease)	**43,180**	(19,571)
Other	**15,170**	15,004
	$1,070,435	$922,533
APPLICATION OF FUNDS:		
New funds lent to customers	**$ 873,911**	$803,030
Long-term debt paid	**116,875**	25,667
Investment in non-consolidated subsidiaries	**5,367**	1,547
Cash dividends	**29,736**	29,683
Advances to non-consolidated subsidiaries—net increase	**14,373**	24,892
Other	**30,173**	37,714
	$1,070,435	$922,533

Notes to Financial Statements

1. Accounting Principles and Practices

The accompanying financial statements include (after inter-company eliminations) all subsidiaries except the merchandising subsidiaries (Western Auto Supply Company and Subsidiaries and Spiegel, Inc. and Subsidiaries) and other subsidiaries (in the aggregate not significant) engaged in credit life and accident and health insurance, commercial banking, real estate holding, direct mail sales, etc. However, the equity of the Company in the net assets and net income of all non-consolidated subsidiaries has been included in the accompanying financial statements. Reference is made to the financial statements of Western Auto and Spiegel, which appear elsewhere in this report.

The accompanying statements are prepared on the accrual basis except that operating income is generally recorded only as collected and certain operating expenses are recorded only as paid. The unrecorded asset of income receivable exceeds the unrecorded liability for expenses payable; such excess is not considered material in relation to the Balance Sheet and the change in such excess is not considered material in relation to the Statement of Income.

2. Common Stock Split

The 1971 financial statements reflect the 3-for-2 Common Stock split approved in 1971 by giving effect to the additional shares of Common Stock of the Company issued on January 31, 1972. The number of Common shares and per-Common-share figures for 1970 and prior years have been adjusted to reflect the stock split.

3. Earnings Per Common Share (See Page 28.)

Primary earnings per Common share is computed on basis of average shares outstanding after dividend requirements on Preferred shares. Such average shares outstanding include those that would result from the liquidation of that portion of liability under the Incentive Compensation Plan payable in Common Stock. (See Note 5.) None of the Preferred Stocks or Convertible Debentures are common stock equivalents. Net income is increased by expenses applicable to the Incentive Compensation Plan less income tax effect.

Fully-diluted earnings per Common share is computed on same basis as above except that: average shares outstanding include those that would result from conversion of $5.50 Preferred Stock, $4.30 Preferred Stock, and Spiegel Subordinated Debentures (see Note 8); preferred dividend requirements on only non-convertible issues are deducted; and net income is increased by interest applicable to the debentures less income tax effect.

4. Due from Spiegel, Inc. and Subsidiaries

Of this amount $39,794,000 is due at December 31, 1971 from Fairfax Family Fund, Inc., a consumer loan company.

At December 31, 1971 $30,397,000 of the total amount is subordinated to $70,000,000 of long-term debt payable to a non-affiliated institutional lender.

5. Incentive Compensation Plan

The liability for the Incentive Compensation Plan is payable in cash and Common Stock of the Company in equal quarterly instalments over a ten-year period after severance of employment due to death or retirement or (subject to a three-year employment limitation) other termination of employment. The portion of the liability payable in Common Stock amounts to 193,672 shares at December 31, 1971.

6. Foreign Operations

At December 31, 1971 assets and liabilities in foreign currencies (principally Canadian) are included in the accompanying Balance Sheet after translation to U. S. dollar equivalents in the respective amounts of $244,600,000 and $116,800,000. Translation of assets and liabilities, except Canadian, are at pars. In the absence of a par for Canada since May 31, 1970, assets and liabilities have been translated at the market rate, which at December 31 was $.99782 for 1971 and $.98857 for 1970. Canadian operating results have been translated at $.99041 (the average market rate) for 1971 and at $.95540 (the average of combined rates of par and market) for 1970. The unrealized net gain resulting from appreciation of foreign currencies is credited to Reserve for Foreign Exchange Fluctuations.

7. Long-Term Debt

Long-term debt outstanding at December 31, 1971, excluding portion due within one year, is as follows:

	(in thousands)
Senior Debt:	
Payable in U. S. Currency:	
Prime rate plus ¼%, due various dates to February 1, 1974	$ 28,125
6%, due serially to November 15, 1976	400
5½%, due January 4, 1973	2,000
6%, due June 29, 1973	1,750
3⅜%, due April 1, 1974	25,000
4⅛%, due July 1, 1976	35,000
8½%, due November 15, 1976	75,000
6¾%, due May 1, 1977	50,000
5%, due November 1, 1977	50,000
9⅜% to July 1, 1975 and 8¼% thereafter, due July 1, 1978	75,000
5¼%, due December 1, 1979	30,000
4⅞%, due June 1, 1981	50,000
4⅝%, due June 1, 1987	35,000
4.45%, due June 1, 1988	30,000
4.60%, due March 1, 1989	30,000
5%, due November 1, 1990	100,000
4½%, due March 1, 1992	50,000
4¾%, due May 15, 1993	75,000
6¾%, due August 1, 1994	50,000
7½%, due November 1, 1996	75,000
Total Payable in U. S. Currency	867,275
Payable in Foreign Currency:	
6¾%, due one-half annually July 1, 1973 and 1974	5,208
6-6½%, due serially to December 31, 1976	1,098
7½%, due February 15, 1976	7,813
4⅞%, due June 1, 1976	9,978
5⅞%, due June 1, 1984	8,382
6%, due September 1, 1985	5,338
7½%, due October 15, 1987	14,967
9%, due January 2, 1991	24,946
Total Payable in Foreign Currency	77,730
Total Senior Debt	945,005
Subordinated Debt:	
Payable in U. S. Currency:	
5⅞%, due July 15, 1980	50,000
Total	$995,005

8. Capital Stock

Common shares issued, outstanding, in treasury, held by a consolidated subsidiary, and reserved, as well as conversion ratios for convertible securities, reflect the Common Stock split. (See Note 2.) At December 31, 1971 capital stock authorized, issued, and outstanding, is as follows:

	Shares Authorized	*Shares Outstanding*
Preferred Stock — no par value (issuable in series)	500,000	None
5% Cumulative Preferred Stock—$50 par value	585,730	407,725*
$5.50 Dividend Cumulative Convertible Preferred Stock — no par value (each share convertible into 4.5 shares of Common; maximum liquidation value, $90,866,700)	1,164,077	908,667
$4.50 Dividend Cumulative Preferred Stock —$100 par value	103,976	103,976
$4.30 Dividend Cumulative Preferred Stock —no par value (each share convertible prior to November 1, 1977 into 2.1 shares of Common)	1,069,204	925,525**
Common Stock — $1 par value	30,000,000	18,098,915***

*After deducting 178,005 treasury shares.

**After deducting 46,500 shares held by a consolidated subsidiary.

***After deducting 4,676,487 treasury shares and 93,000 shares held by a consolidated subsidiary.

Of the authorized shares as shown above the following are reserved: 4,089,002 shares of Common for conversion of $5.50 Preferred, 2,132,019 shares of Common for conversion of $4.30 Preferred, and 43,222 shares of $4.30 Preferred and 86,449 shares of Common for conversion of $5,964,900 of Spiegel Subordinated Debentures.

(continued)

9. Restrictions on Surplus

Certain of the indentures and agreements relating to the Company's long-term debt contain covenants restricting payment of dividends (other than stock dividends) and the purchase and retirement of the Company's capital stock. At December 31, 1971 the amount of all Surplus (Capital and Earned) free, under the most restrictive of these covenants, is approximately $211,000,000.

10. Leases

Real estate leases pertaining to loan and finance offices total approximately 1,760 and have original terms generally of five years with renewal options for like terms. The aggregate of annual rentals under such leases in effect at December 31, 1971 is approximately $6,600,000.

11. Employees' Retirement Plans

Substantially all employees of the Company and consolidated subsidiaries are covered by one or more of several retirement plans. The plans are fully funded except for relatively minor amounts, which for the most part are being funded over periods of approximately ten years. Total expense of the plans for the year ended December 31, 1971 is $1,550,000.

12. Taxes on Income

During the year ended December 31, 1971 Provision for U. S. and Foreign Income Taxes was charged with future income tax benefits in the amount of $743,000.

Assessments of Federal income taxes relating to certain finance subsidiaries for the years 1962 through 1964 have been settled and the same issues with respect to the years 1965 through 1970 are expected to be settled on a similar basis. The overall effect of the settlement for the years 1962 through 1970, including allocation to certain consolidated finance subsidiaries of insurance premium income ($24,567,000) of a non-consolidated life insurance subsidiary and interest thereon ($4,588,000), with related taxes and interest on taxes, results in a net credit to income of $607,000, which is included in the Statement of Income as "Other Income—Other." None of the amounts referred to above are otherwise included in the Statement of Income.

13. Allocation to Certain Finance Subsidiaries

For the year ended December 31, 1971 an allocation of $8,018,000 has been made by non-consolidated life insurance subsidiaries to certain consolidated finance subsidiaries. The Statement of Income includes this amount in "Operating Income" with the related tax effect reflected in "Provision for U. S. and Foreign Income Taxes."

14. Subsequent Event

On January 25, 1972 the Company sold at par through underwriters a $75,000,000 issue of 7.45% Debentures due February 1, 2000. The Company used substantially all of the proceeds to reduce short-term indebtedness.

Accountants' Opinion

The Board of Directors and Stockholders of Beneficial Corporation

We have examined the balance sheet of Beneficial Corporation and Consolidated Subsidiaries as of December 31, 1971 and the related statements of income and earned surplus, capital surplus, and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of Western Auto Supply Company and subsidiaries and Spiegel, Inc. and subsidiaries (non-consolidated subsidiaries), the equity in net assets and net income of which are set forth in the accompanying financial statements. The financial statements for such companies were examined by other auditors whose reports thereon have been furnished to us and our opinion expressed herein, insofar as it relates to the amounts included for such companies, is based solely upon the reports of the other auditors.

In our opinion, based upon our examination and the reports of other auditors, such statements present fairly the financial position of the companies at December 31, 1971 and the results of their operations and changes in their financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

HASKINS & SELLS

Newark, N.J.
February 15, 1972

Western Auto Supply Company and Consolidated Subsidiaries

Condensed Balance Sheet

December 31, 1971 and 1970

	1971	1970
	(amounts in thousands)	
ASSETS		
Cash	**$ 6,386**	$ 7,144
Notes and Accounts Receivable (Note 1)	**190,397**	181,747
Less Allowance for Doubtful Receivables	**13,749**	13,317
Notes and Accounts Receivable, net	**176,648**	168,430
Inventories, at lower of cost (first-in, first-out) or replacement market	**120,855**	108,830
Other Current Assets (Note 2)	**13,418**	13,500
Total Current Assets	**317,307**	297,904
Fixed Assets, at cost less accumulated depreciation and amortization of $13,948 and $12,407	**29,259**	23,320
Excess of Cost of Common Stock of Subsidiaries over Equity in Net Assets at Dates of Acquisition	**1,790**	1,064
Other Assets	**784**	183
Total	**$349,140**	$322,471
LIABILITIES AND CAPITAL		
Notes Payable	**$ 8,405**	$ 46,926
Trade Accounts Payable	**42,135**	23,218
Due to Beneficial Corporation	**—**	22,320
Federal and State Income Taxes Payable (Note 2):		
Current	**7,446**	4,698
Deferred	**19,588**	20,724
Other Current Liabilities	**27,450**	24,543
Total Current Liabilities	**105,024**	142,429
Long-Term Debt (Note 3)	**53,541**	4,621
Capital Stock and Surplus	**190,575**	175,421
Total	**$349,140**	$322,471

Condensed Statement of Earnings and Retained Earnings

Years Ended December 31, 1971 and 1970

	1971	1970
Net Sales and Other Revenue	**$498,942**	$461,069
Cost of Goods Sold and Operating Expenses (including depreciation and amortization of $3,100 and $2,863)	**462,307**	425,447
Net Operating Profit	**36,635**	35,622
Interest Expense (including $90 and $1,491 paid to Beneficial Corporation)	**6,303**	6,071
Earnings before Taxes on Income	**30,332**	29,551
Federal and State Income Taxes (Note 2):		
Current	**16,022**	12,966
Deferred, net	**(944)**	1,802
Total Federal and State Income Taxes	**15,078**	14,768
Net Earnings	**15,254**	14,783
Retained Earnings, Beginning of Year	**101,703**	87,070
Total	**116,957**	101,853
Dividends Paid	**100**	150
Retained Earnings, End of Year	**$116,857**	$101,703

← **Eleven-Year Summary**

Beneficial Corporation and Consolidated Subsidiaries

Eleven-Year Summary

Years ended December 31	**1971**	1970	1969
During the Year			
Consolidated			
Net Income	**$ 71,713**	61,521	58,454
Number of Common Shares Outstanding (average) (a)	**18,143**	17,885	17,488
Earnings per Common Share (primary) (dollars) (a)	**$ 3.38**	2.84	2.72
Cash Dividends Paid per Common Share (dollars) (a)	**$ 1.06⅔**	1.06⅔	1.06⅔
Finance Division			
Beneficial Finance System (major part of Finance Division)			
Volume of Receivables Acquired less Unearned Charges	**$1,461,770**	1,368,832	1,402,672
Number of Receivables Acquired	**1,940**	1,924	2,120
Average Amount of Transaction (dollars)	**$ 753**	711	662
Operating Income	**$ 317,501**	291,939	261,776
Operating Expenses	**$ 163,715**	149,866	137,690
Interest Expense	**$ 81,525**	84,520	72,845
U.S. and Foreign Income Taxes	**$ 38,786**	32,126	31,024
Net Income	**$ 50,257**(b	39,427	35,435
% of Net Income to Operating Income	**15.83**	13.51	13.54
Other—Earnings	**$ 193**	3,259	3,911
Finance Division Earnings	**$ 50,450**	42,686	39,346
Merchandising Division			
Western Auto Supply Company and Subsidiaries			
Net Sales and Other Revenue	**$ 498,942**	461,069	450,667
Net Income	**$ 15,254**	14,783	15,215
% of Net Income to Net Sales and Other Revenue	**3.06**	3.21	3.38
Spiegel, Inc. and Subsidiaries			
Net Sales and Other Revenue	**$ 387,036**	352,645	357,085
Net Income	**$ 6,009**	4,052	3,893
% of Net Income to Net Sales and Other Revenue	**1.55**	1.15	1.09
Combined			
Net Sales and Other Revenue	**$ 885,978**	813,714	807,752
Net Income	**$ 21,263**	18,835	19,108
% of Net Income to Net Sales and Other Revenue	**2.40**	2.31	2.37
At Year End			
Consolidated			
Current Assets	**$1,708,283**	1,592,387	1,472,691
Current Liabilities	**$ 489,255**	428,052	357,510
Current Ratio	**3.49**	3.72	4.12
Long-Term Debt	**$ 995,005**	966,094	931,699
Beneficial Finance System			
Notes and Accounts Receivable less Unearned Charges	**$1,441,331**	1,366,537	1,267,075
Reserve for Possible Losses	**$ 76,448**	73,657	69,625
Reserve for Possible Losses as % of Notes and Accounts Receivable less Unearned Charges	**5.30**	5.39	5.49
Number of Accounts	**2,105**	2,125	2,132
Average Account Balance (dollars)	**$ 685**	643	594

*Poolings of interests include B Corporation (formerly Beneficial Corporation) for periods prior to merger into the Company on March 14, 1968 and Spiegel, Inc. for years prior to 1966. Years prior to 1970 have been restated to reflect Western Auto Acceptance Company, formerly a consolidated subsidiary of Beneficial Corporation, as a consolidated subsidiary of Western Auto Supply Company.

(a) Adjusted for increas effective January 31,

(b) Includes $4,200,000 non-consolidated su

(c) Includes profit on sa $1,243,000.

All data adjusted for poolings of interests*

1968	1967	1966	1965	1964	1963	1962	1961
(amounts in thousands, except where noted)							
55,523	50,506	55,264	54,088	49,265	44,884	41,764	39,295
17,047	16,965	16,531	16,122	15,948	15,847	15,818	15,839
2.58	2.29	2.62	2.58	2.30	2.05	1.85	1.69
1.06⅔	1.06⅔	1.06⅔	.97	.78	.73	.67	.56
1,352,295	1,162,047	1,148,152	1,105,807	1,009,598	960,726	870,073	806,010
2,199	2,105	2,207	2,190	2,001	1,924	1,788	1,710
615	552	520	505	505	499	487	471
233,358	215,657	204,869	183,792	164,145	148,919	142,066	138,484
128,110	122,198	112,271	102,406	90,022	81,588	76,375	74,913
55,001	47,878	43,696	32,451	27,968	24,529	22,499	20,561
28,696	24,729	26,164	23,924	23,420	21,191	22,328	21,056
33,402	32,139	33,497	29,454	25,363	23,850	22,533	21,267
14.31	14.90	16.35	16.03	15.45	16.02	15.86	15.36
3,496	3,105	2,513	1,646	1,684	1,318	1,209	2,056
36,898	35,244	36,010	31,100	27,047	25,168	23,742	23,323
418,826	391,656	376,323	363,016	352,917	329,773	306,150	284,361
14,861	13,457	13,220	13,686	13,176	11,521	10,848	9,009
3.55	3.44	3.51	3.77	3.73	3.49	3.54	3.17
333,518	327,270	329,950	338,317	304,670	303,903	276,186	277,569
3,764	1,805(c	6,034	9,302	9,042	8,195	7,174	6,963
1.13	.55	1.83	2.75	2.97	2.70	2.60	2.51
752,344	718,926	706,273	701,333	657,587	633,676	582,336	561,930
18,625	15,262	19,254	22,988	22,218	19,716	18,022	15,972
2.48	2.12	2.73	3.28	3.38	3.11	3.09	2.84
1,313,665	1,156,152	1,124,519	999,239	834,374	739,415	660,353	623,605
373,117	260,060	274,442	169,604	177,700	151,215	109,614	144,345
3.52	4.45	4.10	5.89	4.70	4.89	6.02	4.32
763,101	726,869	682,725	670,486	510,392	466,856	435,456	373,353
1,135,077	988,752	944,011	853,091	773,858	700,591	627,569	591,480
63,408	59,012	55,109	49,936	43,125	38,026	33,737	29,088
5.59	5.97	5.84	5.85	5.57	5.43	5.38	4.92
2,121	2,085	2,111	1,955	1,783	1,626	1,525	1,518
535	474	447	436	434	431	412	390

ase in shares arising from 3-for-2 Common Stock split
, 1972, stock dividend paid in 1964, etc.
0 of insurance income previously reported in income of
ubsidiaries.
sale of foreign subsidiary (net of Federal income tax) of

Condensed Statement of Changes in Financial Position

Years Ended December 31, 1971 and 1970

	1971	1970
	(amounts in thousands)	
SOURCE OF FUNDS:		
Net Earnings	**$15,254**	$14,783
Expenses Not Requiring Concurrent Cash Outlays (principally depreciation and amortization)	**3,121**	2,863
Proceeds of Sale of Long-Term Debt	**49,684**	90
Other	**363**	227
	$68,422	$17,963
APPLICATION OF FUNDS:		
Additions to Fixed Assets	**$ 9,352**	$10,093
Reduction of Long-Term Debt	**1,393**	1,062
Excess Cost over Book Value of Acquired Subsidiary	**769**	—
Cash Dividends	**100**	150
Increase in Working Capital:		
Notes and Accounts Receivable	**8,218**	9,159
Inventories	**12,025**	15,036
Accounts and Notes Payable	**42,110**	(11,957)
Miscellaneous	**(5,545)**	(5,580)
Increase in Working Capital	**56,808**	6,658
	$68,422	$17,963

Notes to Financial Statements

1. Notes and Accounts Receivable

Included in current receivables are amounts becoming due after one year of approximately $64,759,000.

2. Taxes on Income

Various reserve and liability accounts include provisions in excess of what is currently deductible for Federal income tax purposes. The future tax benefit of $11,640,000 relating to these excess provisions is included in Other Current Assets.

The deferred income tax liability is primarily the result of recognizing sales on an instalment basis for income tax purposes.

3. Long-Term Debt

On January 15, 1971 the company issued $50,000,000 of 7.85% Sinking Fund Debentures due in 1996. The indenture relating to these debentures contains covenants restricting payment of cash dividends and the purchase and retirement of the company's capital stock. At December 31, 1971 the amount of Surplus unrestricted under these covenants is $30,691,000.

4. Profit Sharing and Retirement Plans

Substantially all employees of the company and its subsidiaries are covered by trusteed profit sharing and retirement plans. The contribution to the plans for the year was $3,848,000; it is the company's policy to fund accrued costs.

5. Leases

At December 31, 1971 real property was occupied under 648 separate leases expiring from 1972 to 1993, with aggregate minimum annual rentals of $8,759,000.

Accountants' Opinion

The Board of Directors of Western Auto Supply Company

We have examined the condensed balance sheet of Western Auto Supply Company and Consolidated Subsidiaries as of December 31, 1971 and the related condensed statements of earnings and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such condensed financial statements present fairly the financial position of Western Auto Supply Company and Consolidated Subsidiaries at December 31, 1971 and the results of their operations and the changes in their financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Kansas City, Missouri
February 11, 1972

PEAT, MARWICK, MITCHELL & CO.

Condensed Balance Sheet

December 31, 1971 and 1970

	1971	1970
	(amounts in thousands)	
ASSETS		
Cash	**$ 2,496**	$ 3,038
Accounts and Notes Receivable, less reserves of $68,399 and $61,342 (Note 1)	**529,580**	493,991
Inventories, at lower of cost or market	**49,960**	40,032
Prepaid Expenses	**11,495**	8,851
Total Current Assets	**593,531**	545,912
Properties, at cost less accumulated depreciation of $17,807 and $18,283	**22,187**	22,015
Other Assets	**6,703**	5,759
Total	**$622,421**	$573,686
LIABILITIES AND CAPITAL		
Due to Beneficial Corporation (Note 2)	**$240,108**	$203,415
Other Current Debt	**2,008**	2,008
Federal and State Income Taxes Payable (Note 1):		
Current	**1,984**	1,267
Deferred	**68,046**	67,288
Other Current Liabilities	**34,704**	28,049
Total Current Liabilities	**346,850**	302,027
Long-Term Debt (Note 2)	**161,841**	163,938
Capital Stock and Surplus	**113,730**	107,721
Total	**$622,421**	$573,686

Condensed Statement of Income and Retained Earnings

Years Ended December 31, 1971 and 1970

	1971	1970
Sales and Other Revenue	**$387,036**	$352,645
Cost of Goods Sold, including buying and occupancy expenses	**192,968**	173,797
Selling and Administrative Expenses (Note 4)	**158,560**	149,596
Interest Expense (including $15,277 and $12,710 paid to Beneficial Corporation)	**24,245**	21,724
Total of Above Costs and Expenses	**375,773**	345,117
Income before Taxes	**11,263**	7,528
Provision for Federal and State Income Taxes (Note 1):		
Current	**4,496**	3,497
Deferred	**758**	(21)
Total Provision	**5,254**	3,476
Net Income	**6,009**	4,052
Retained Earnings, Beginning of Year	**65,843**	61,791
Retained Earnings, End of Year (Note 3)	**$ 71,852**	$ 65,843

Condensed Statement of Changes in Financial Position

Years Ended December 31, 1971 and 1970

	1971	1970
	(amounts in thousands)	
SOURCE OF FUNDS:		
Net Income	**$ 6,009**	$ 4,052
Net Undistributed Earnings of Non-Consolidated Subsidiary	**(651)**	(614)
Expenses Not Requiring Concurrent Cash Outlays (depreciation and amortization)	**2,637**	2,806
	$ 7,995	$ 6,244
APPLICATION OF FUNDS:		
Additions to Properties	**$ 2,809**	$ 1,617
Reduction of Long-Term Debt	**2,097**	1,150
Other	**293**	382
Increase in Working Capital:		
Accounts and Notes Receivable	**35,589**	32,512
Inventories	**9,928**	(952)
Accounts and Notes Payable and Accrued Liabilities	**(6,555)**	(4,033)
Due to Beneficial Corporation	**(36,693)**	(23,402)
Miscellaneous	**527**	(1,030)
Increase in Working Capital	**2,796**	3,095
	$ 7,995	$ 6,244

Notes to Financial Statements

1. Accounting Principles and Practices

The foregoing financial statements are prepared on the accrual basis. Instalment sales represent a substantial portion of sales. For financial statement purposes the entire amount due and to become due from customers is immediately recorded as sales revenue, with provision made for doubtful accounts and collection expenses. For income tax purposes, however, the income arising from such instalment sales is reported on the cash collection basis. The income taxes deferred as a result thereof are included in current liabilities as Federal and State Income Taxes Payable—Deferred, which represents the accumulated total of reductions in Federal and state income taxes, arising principally from the use for tax purposes of the cash collection method.

In accordance with customary trade practice, Accounts and Notes Receivable includes amounts becoming due after one year of approximately $339,000,000 and $317,000,000.

2. Long-Term Debt

Long-term debt, some of which is secured by properties, matures in varying amounts from 1977 to 1990 and bears interest at 4½% to 5.9%.

At December 31, 1971 $30,397,000 of the amount due Beneficial Corporation is subordinated to $70,000,000 of long-term debt payable to a non-affiliated institutional lender.

3. Restrictions on Dividends

The debt agreements restrict $47,162,000 of retained earnings at December 31, 1971 as to payment of cash dividends.

(continued on page 28)

Accountants' Opinion

The Board of Directors of Spiegel, Inc.

In our opinion, the accompanying condensed balance sheet and the related condensed statements of income and retained earnings and of changes in financial position present fairly the financial position of Spiegel, Inc. and consolidated subsidiaries at December 31, 1971 and 1970, the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Chicago, Illinois
February 11, 1972

PRICE WATERHOUSE & CO.

Calculation of Earnings per Common Share

Years Ended December 31, 1971 and 1970

	1971	1970
	(amounts in thousands*)	
Primary		
NET INCOME	**$71,713**	$61,521
DIVIDEND REQUIREMENTS ON PREFERRED STOCKS (Note B)	**10,346**	10,683
EARNINGS AVAILABLE FOR COMMON STOCK	**$61,367**	$50,838
AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (Note C)	**18,143**	17,885
EARNINGS PER COMMON SHARE	**$3.38**	$2.84
Fully-diluted (Note D)		
NET INCOME	**$71,713**	$61,521
DIVIDEND REQUIREMENTS ON PREFERRED STOCKS (Note E)	**1,244**	1,207
EARNINGS AVAILABLE FOR COMMON STOCK	**$70,469**	$60,314
AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (Note E)	**24,516**	24,494
EARNINGS PER COMMON SHARE	**$2.87**	$2.46

*Except per-share figures.

Notes

A. The calculations to arrive at earnings per Common share are made in compliance with Opinion 15 (May 1969) of the Accounting Principles Board of the American Institute of Certified Public Accountants.

Reference is made to Note 3 to Financial Statements.

B. These are the dividends that accrue on Preferred shares actually outstanding during each period reported, whether or not charged or paid during such period.

C. These are shares held by persons outside the consolidated group of companies. The average is calculated by using the number of shares at beginning of period and at end of each month included in the period.

D. The fully-diluted earnings per Common share is designed to show the effect on primary earnings per share if all convertible securities were converted prior to the beginning of the period reported.

E. The dividend requirements on Preferred Stocks are much less in this calculation than in the primary one because it is assumed here that all convertible securities have been converted, thus appreciably increasing the number of Common shares outstanding.

The net saving of interest resulting from conversion of Spiegel Subordinated Debentures has been reflected as a reduction of the Preferred dividend requirements.

Spiegel, Inc. Notes to Financial Statements (concluded)

4. Provision for Doubtful Accounts and Collection Expenses

Provision for doubtful accounts and collection expenses charged to costs and expenses aggregate $40,367,000 and $34,380,000.

5. Leases

Rent expense, principally for catalog offices and data processing equipment, was $5,832,000 and $5,126,000. Minimum annual rentals for leases, expiring from 1972 through 1976, aggregate $2,646,000. Many of the leases are renewable.

6. Pensions

Pension expense with respect to the company's unfunded non-contributory plan for hourly-compensated employees was $364,000 in 1971. At December 31, 1971 the actuarially computed excess of vested benefits over balance sheet accruals was approximately $1,750,000.

Beneficial Corporation

Beneficial Building, Wilmington, Delaware

Board of Directors

CECIL M. BENADOM
CHARLES W. BOWER
JAMES E. BURD
THOMAS W. CULLEN
LEON A. FULTS
J. THOMAS GURNEY
EDGAR T. HIGGINS
ARNOLD T. KOCH
THOMAS A. McGRATH
C. EMMERICH MEARS
DeWITT J. PAUL
MODIE J. SPIEGEL
ARTHUR C. SWANSON
WILLIAM E. THOMPSON
ROBERT A. TUCKER
CHARLES H. WATTS, II
RALPH B. WILLIAMS

Director Emeritus

LOUIS FRANKE

Executive Committee

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Chairman
CECIL M. BENADOM
JAMES E. BURD
ROBERT A. TUCKER

Finance Committee

ROBERT A. TUCKER
Chairman
CECIL M. BENADOM
CHARLES W. BOWER

Officers

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Chairman of the Board of Directors

CECIL M. BENADOM
President

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First Vice-President

CHARLES W. BOWER
Senior Vice-President and Treasurer

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Vice-President and Tax Counsel

JAMES E. BURD
Vice-President

WILLIAM A. GROSS
Vice-President

EDWIN M. STOKES
Vice-President and Secretary

RUSSELL W. WILLEY
Vice-President and Controller

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Auditor

WILLARD R. ATCHISON
Assistant Vice-President and Assistant Secretary

GLENN E. PATON
Assistant Secretary

JOHN R. DORAN
Assistant Treasurer

ELMER H. REYNOLDS
Assistant Treasurer

ROBERT F. HAAG
Assistant Controller

Beneficial Management Corporation

SINCE 1914

BENEFICIAL MANAGEMENT CORPORATION is a wholly-owned subsidiary furnishing, at cost, supervision, audit, accounting, and other services to most of the operating subsidiaries.

Executive Committee

CECIL M. BENADOM
Chairman
EDGAR T. HIGGINS
ROBERT A. TUCKER

Officers

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President

GEORGE M. WILLIAMS
Executive Vice-President

J. E. ALDRIDGE
Senior Vice-President Operating

JOHN BARYLICK, Jr.
Senior Vice-President Business Development

RICHARD H. BATE
Vice-President and Associate Counsel

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Senior Vice-President Fiscal

JOHN L. DEAN
Vice-President Planning & Research

HAROLD J. DETMAN
Vice-President Collection

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Senior Vice-President Insurance

GEORGE R. EVANS
Senior Vice-President Operating

JOHN M. FARRELL
Senior Vice-President Public Relations

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Vice-President Personnel

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Vice-President and State Tax Counsel

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Senior Vice-President Audit

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Vice-President Operating

ALFRED E. MOCKETT
Senior Vice-President Advertising

WILLIAM W. POTTER
Senior Vice-President Operating

GORDON L. WADMOND
Senior Vice-President Administration

JAMES D. WERNER
Vice-President Purchasing

JOHN C. WETZEL
Senior Vice-President Management Information Services

JAMES D. WARREN
Secretary and Associate Counsel

JOSEPH E. CHAUVETTE
Controller

WILLIAM S. PRICKETT
Treasurer

LAWRENCE KELDER
Executive Assistant

KENNETH J. KIRCHER
Secretary to Executive Committee and Associate Counsel

EDGAR T. HIGGINS
General Counsel

Principal Executives of other Subsidiary Companies

DAVID G. ALEXANDER
Vice-President
Canada East Department

LOUIS B. BALDWIN
Vice-President
Southern Department

PIERRE E. BASHE
Vice-President
Northwest Department

LEO R. CARON
Vice-President
Quebec Department

WILLIAM F. CARR
Vice-President
Southwest Department

ERNEST H. COLE
Vice-President
West Coast Central Department

PAUL CONAHAN
Vice-President
Beneficial Finance Co. of New York, Inc.

CHESTER L. COUGHENOUR
Vice-President
Gulf Coast Department

ROBERT J. EMMERLING
Vice-President
Tri-State Department

GEORGE R. EVANS
President
Beneficial Data Processing Corporation

JOSEPH H. GARDNER, JR.
Vice-President
Midsouth Department

ROBERT W. KEHR
Vice-President
Midwest Department

ROBERT MALLOCK
Vice-President
Central Department

WILLIAM W. POTTER
President
Beneficial Finance Co. of Canada

R. DONALD QUACKENBUSH
President
Guaranty Life Insurance Company of America

RUDOLPH G. SMATLAK
Vice-President
East Central Department

VERNON G. SMITH
President and Treasurer
Beneficial Finance Co. of New York, Inc.

GORDON L. WADMOND
President
Beneficial Employment Services, Inc.

RICHARD A. WAGNER
Vice-President
California North Department

BEVAN G. WALKER
Vice-President, Secretary-Treasurer
Beneficial Finance Co. of Canada

WILLIAM G. WEISS
Vice-President
Eastern Department

ROBERT C. WETZEL
Vice-President
New England Department

ANTHONY K. WILHELM
Vice-President
Canada West Department

Western Auto Supply Company

WESTERN AUTO SUPPLY COMPANY, Kansas City, Missouri, a wholly-owned subsidiary, is a nationwide organization selling at retail and wholesale a wide variety of merchandise, primarily durable goods.

Officers

LEON A. FULTS
President

E. E. HACKETT
Vice-President

WILLIAM F. HOOTEN
Vice-President

LOUIS L. POPLINGER
Vice-President and Secretary

R. T. RENFRO
Vice-President

HARRY W. SCHLOSSER
Vice-President

THOMAS M. WARNE
Vice-President

CHARLES M. WILSON, JR.
Treasurer

K. L. BROWN
Controller

JOHN V. RICHESON
Assistant Secretary

RALPH L. WRIGHT
Assistant Secretary

HARRY L. ABBOTT
Assistant Treasurer

Regional Vice-Presidents

Northeast Region
ARTHUR CASCIARO
GERALD W. GARDNER
J. B. LARSEN

Southeast Region
WESLEY L. HARPER
C. R. HOBBS
J. CLEMAN WILSON

South Atlantic Region
DAVID E. JACKSON

Central Region
NORMAN C. BARRY
JOSEPH F. BORNHEIMER
JOSEPH C. GRISSOM

Gulf Coast Region
EUGENE A. RENNER

Southwest Region
KEITH G. BRANDT
MAX H. TOOLEY

Western Region
H. LEE HANSEN
LOUIS H. KUNTZ
LAWRENCE E. HAIGWOOD

Spiegel, Inc.

SPIEGEL, INC., Chicago, Illinois, a wholly-owned subsidiary, is engaged in the sale of merchandise, primarily soft goods, principally by mail and order stores through catalogs.

Officers

JAMES E. BURD
Chairman of Board of Directors

EDWARD J. SPIEGEL
President

NATHAN N. BRAVERMAN
Executive Vice-President

WILLIAM E. COWAN
Executive Vice-President

ARTHUR A. POMPER
Executive Vice-President

ALBERT R. BELL
Vice-President and Secretary

JULIAN A. ALTMAN
Treasurer-Controller

LEONARD A. GITTELSOHN
Vice-President

WILLIAM M. GIUNTOLI
Vice-President

CYRIL J. NIEMEC
Vice-President

HARRY J. GRANAT
Assistant Secretary

MEYER SHEINFELD
Assistant Secretary

CAROLINE M. BIGGS
Assistant Treasurer

MAURICE LAGNADO
Assistant Treasurer

CLASS OF STOCK	TRANSFER AGENT	REGISTRAR
COMMON	Irving Trust Company, N.Y.	Chemical Bank, N.Y.
	Southern Trust Company Wilmington, Del.	Wilmington Trust Company Wilmington, Del.
	The First National Bank of Chicago	Continental Illinois National Bank and Trust Company of Chicago
5% CUMULATIVE PREFERRED	Irving Trust Company, N.Y.	Manufacturers Hanover Trust Company, N.Y.
	Southern Trust Company Wilmington, Del.	Wilmington Trust Company Wilmington, Del.
$5.50 DIVIDEND CUMULATIVE CONVERTIBLE PREFERRED	Morgan Guaranty Trust Company of New York	First National City Bank, N.Y.
	Southern Trust Company Wilmington, Del.	Wilmington Trust Company Wilmington, Del.
$4.50 DIVIDEND CUMULATIVE PREFERRED	Bankers Trust Company, N.Y.	The Chase Manhattan Bank, N.A., N.Y.
	Southern Trust Company Wilmington, Del.	Wilmington Trust Company Wilmington, Del.
$4.30 DIVIDEND CUMULATIVE PREFERRED (CONVERTIBLE)	Manufacturers Hanover Trust Company, N.Y.	The Chase Manhattan Bank, N.A., N.Y.
	The First National Bank of Chicago	Continental Illinois National Bank and Trust Company of Chicago